

# FORTUNE

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# SAN JOSE

A Special Advertising Section  
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Service 500 Issue

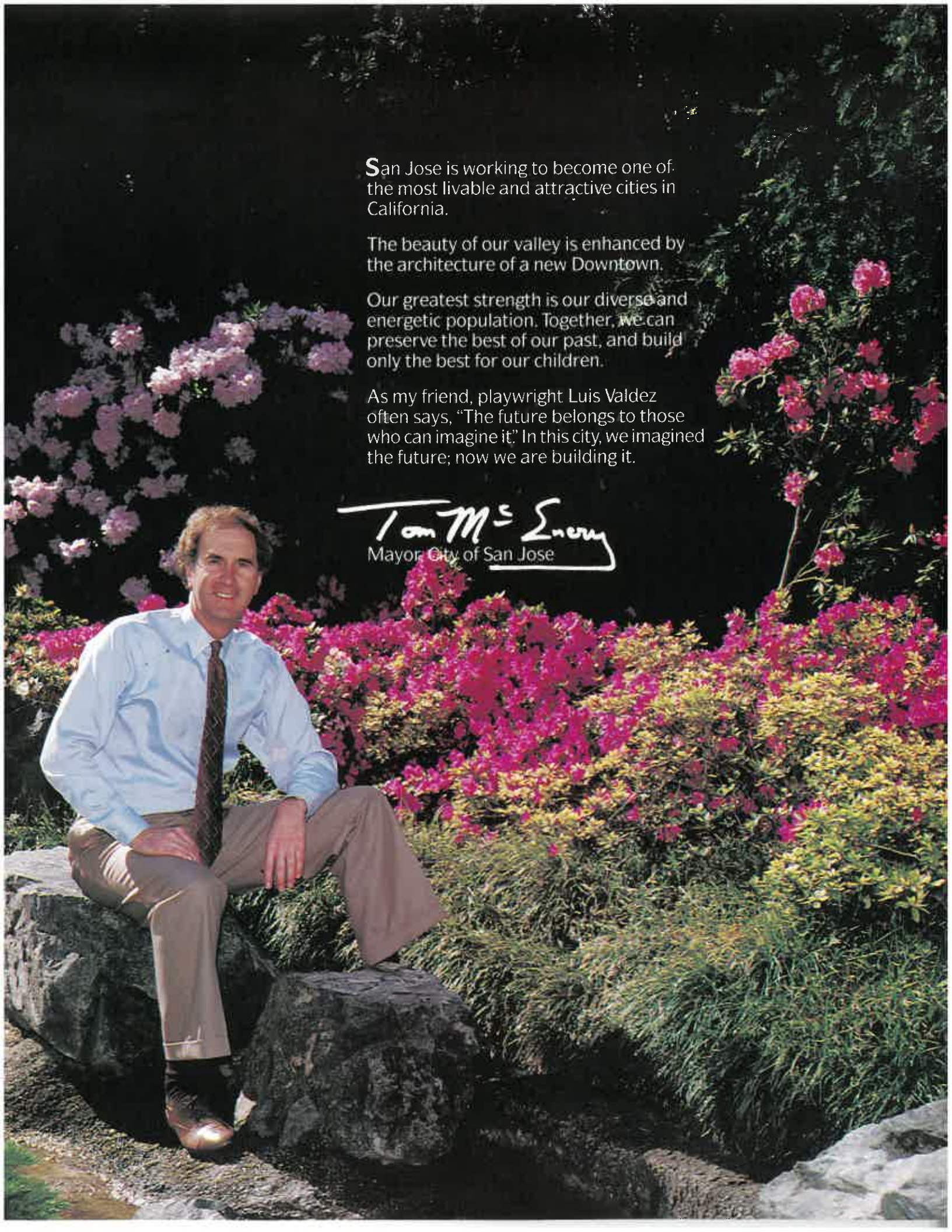
California's  
Economic  
Engine

Technological  
Leadership  
for the  
21st Century

Wild West  
of Private  
Enterprise

Skyline  
Rising  
in Valley  
of Heart's  
Delight



A man with light brown hair, wearing a light blue dress shirt, a dark patterned tie, and tan trousers, is sitting on a large, dark, textured rock. He is smiling and looking towards the camera. Behind him is a large, dense bush of flowers, primarily pink and red, with some green foliage visible. The background is dark and out of focus.

San Jose is working to become one of the most livable and attractive cities in California.

The beauty of our valley is enhanced by the architecture of a new Downtown.

Our greatest strength is our diverse and energetic population. Together, we can preserve the best of our past, and build only the best for our children.

As my friend, playwright Luis Valdez often says, "The future belongs to those who can imagine it." In this city, we imagined the future; now we are building it.

*Tom McEnergy*  
Mayor, City of San Jose

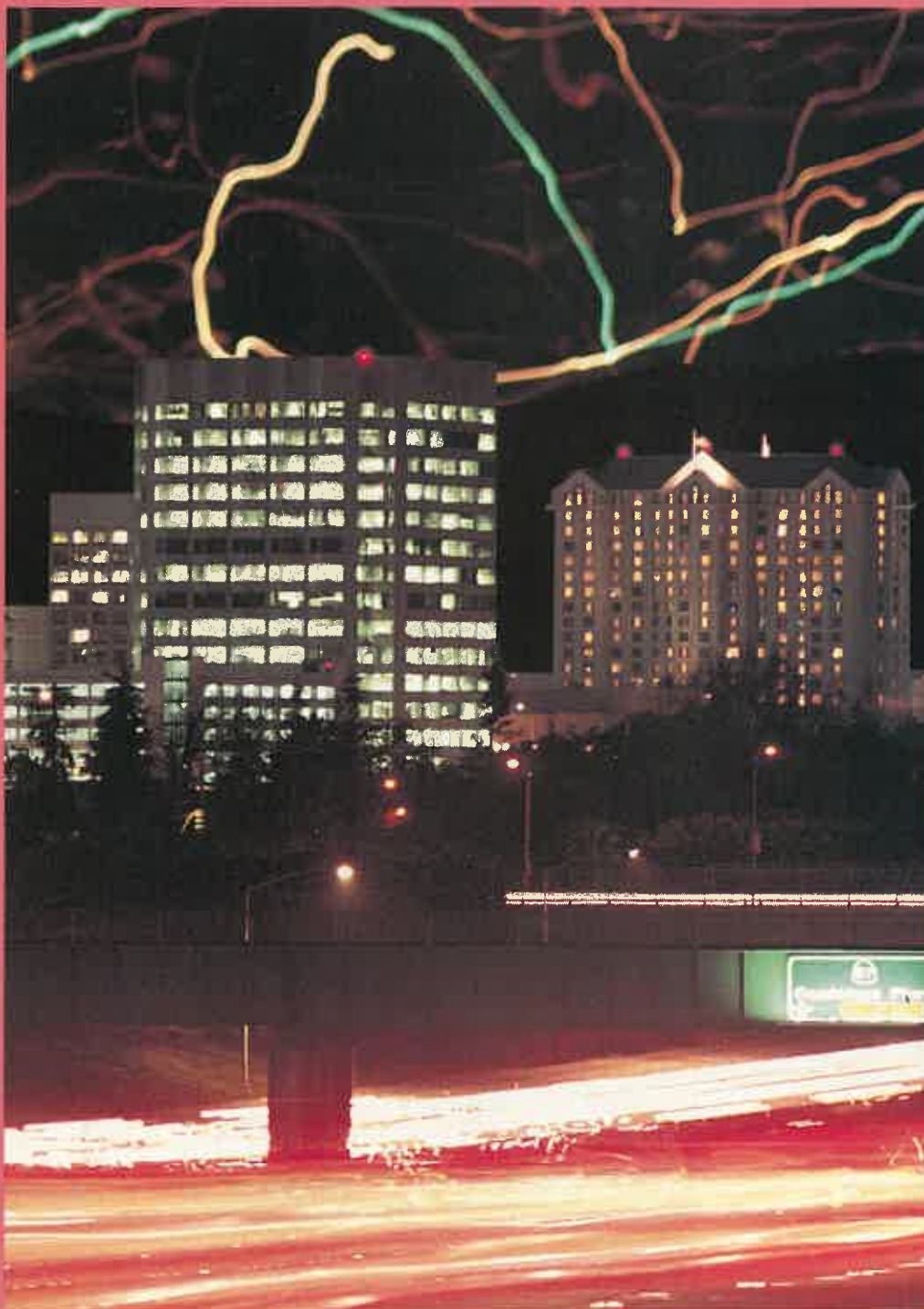




# SAN JOSE

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## CAPITAL OF SILICON VALLEY



Share  
The  
Future



### A WORLD PHENOMENON

Visitors to Silicon Valley, amazed by the endless avenues of meticulously landscaped electronics plants, often ask their hosts: "How did all these technology companies come to be located in one place?"

Most of America's electronics companies, including more than 1,500 of the 2,512 with more than 500 employees, are located within a 30-mile radius of San Jose International Airport.

On the average, new manufacturing companies are started at the rate of three per week in Silicon Valley, and 15 other companies are started each week.

The reasons for this concentration of technology and enterprise are both historical and contemporary. The technology revolution began in the Santa Clara Valley among the community of scholars and scientists at Stanford University, where pioneering work in radio and radar ultimately led to develop-

ment of semiconductors and computers.

What may be the world's most agreeable climate also plays a part. With more fair weather than Miami or Honolulu, San Jose justifiably lays claim to being a city of the sun.

### CREATION OF A UNIQUE COMMUNITY

More simply though, the reason for this concentration of high-technology companies is that they like to be near each other in a unique community with unmatched resource in human intelligence and initiative.

Silicon Valley today represents a world phenomenon still picking up speed and expected to add more than 300,000 jobs in the next 11 years. Though the smaller municipalities in the valley will continue without loss of their individual identities, the valley as an economic entity has finally chosen a capital to match its eminence.

That capital is San Jose.

The first city in Spanish California, the first capital of American California, the third largest city on the West Coast and 13th in the nation, San Jose finally is achieving its destiny to rank among the major cities of the world.

Through political will and private enterprise, San Jose has become the center of governmental, economic and cultural activities for an area of 1.5 million people and the highest median income in the West. In that measure of wealth, San Jose ranks behind only the affluent Long Island and Connecticut suburbs of New York City.

With a growing population of 742,000, San Jose this year passed San Francisco and may pass Baltimore and Indianapolis next year.

San Jose is the transportation hub of Silicon Valley and the primary center of real estate and industrial development.

### THE NEWEST OLD CITY IN AMERICA

San Jose's physical characteristics are low density and high quality of life based primarily on single-family homes. Now, in what only can be described as a *downtown renaissance*, San Jose is creating an urban core with the kind of amenities found in the major cities of the world.

In the center of the valley an urban skyline of Class A office buildings and hotels is growing. Intermingled with the towers are restaurants, shops, theaters, museums, public art and parks. San Jose completed a 1.2-million-square-foot convention center this spring and has started work on a 20,000-seat sports and entertainment arena. The San Jose Museum of Art is doubling its exhibit space. A Children's Discovery Museum is under construction on a site next to what will be a unique science education institution. The \$80-million Technology Center of Silicon Valley. Every amenity of a great city is being laid in place within walking distance of a

California's first Legislature met in what is now the plaza between the San Jose Museum of Art and Fairmont Plaza office building.







# GET INSIGHT INTO THE BEST SITES IN CALIFORNIA.

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*At your service.*





plaza laid out centuries ago by Spanish soldiers.

### NEW CITY WITH A ROMANTIC PAST

Though San Jose as an urban center and economic power is decidedly new, the city the Spanish named for Saint Joseph has played an important historic role.

San Jose was founded as the first civil settlement in California on the east bank of the Guadalupe River in November, 1777. At that time, on the other side of the continent, British General Edward Burgoyne was surrendering his troops at Saratoga, the turning point in the American Revolution and an event that led ultimately to Spain's losing her New World Colonies.

Soldiers from the Presidio of San Francisco led 66 persons to the valley centrally located at the end of the bay to grow food and raise horses. San Jose was to supply both the Presidio of San Francisco and the Presidio of Monterey to the south.

San Jose grew lazily under Spanish rule, which ended in 1822, and under that of Mexico, which could hardly be bothered with its thinly populated distant colony. The population was still less than 3,000 when in 1846 Thomas Fallon rode in with a troop of American settlers and raised Old Glory at the Plaza flag pole. The Constitutional Convention that later met in Monterey designated San Jose the state capital, and by the time the first Legislature convened in San Jose in December 15, 1849, the population had jumped to 4,000.

### THE VALLEY OF HEART'S DELIGHT

When the great earthquake struck in 1906, San Francisco had grown into a major city of half a million people, while San Jose remained but a prosperous farming town of 20,000.

*Painstakingly restored antique trolleys carry shoppers and sightseers through the downtown.*



Dei Carlo Photography

In 1971 a popular electronics newsletter christened the area of electronics companies from Palo Alto to San Jose as "Silicon Valley, U.S.A." The name stuck.

At the time, the semiconductor companies in this area dominated world production of electronic circuits printed on wafers cut from cylinders of silicon, an element abundant in the earth's crust.

Geographically this area lies in the Santa Clara Valley, an area of Mediterranean climate at the south end of San Francisco Bay between the Diablo Range and Santa Cruz Mountains. The valley lies within Santa Clara County, and for statistical

purposes, the 16 cities of the county comprise the San Jose Metropolitan Area. Locally, southern Alameda County is considered part of Silicon Valley, though the federal government places it in the San Francisco-Oakland Metropolitan Area.

Silicon Valley can refer to high-technology industry in general.

It also can describe a type of lifestyle, whose characteristics might include dedication to work, tremendous interest in over-the-counter stocks, the liberal use of technological buzz words, casual dress and the haunting of certain watering holes and restaurants.

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After all, we helped pioneer on-line database systems, which process and deliver information as it's created.

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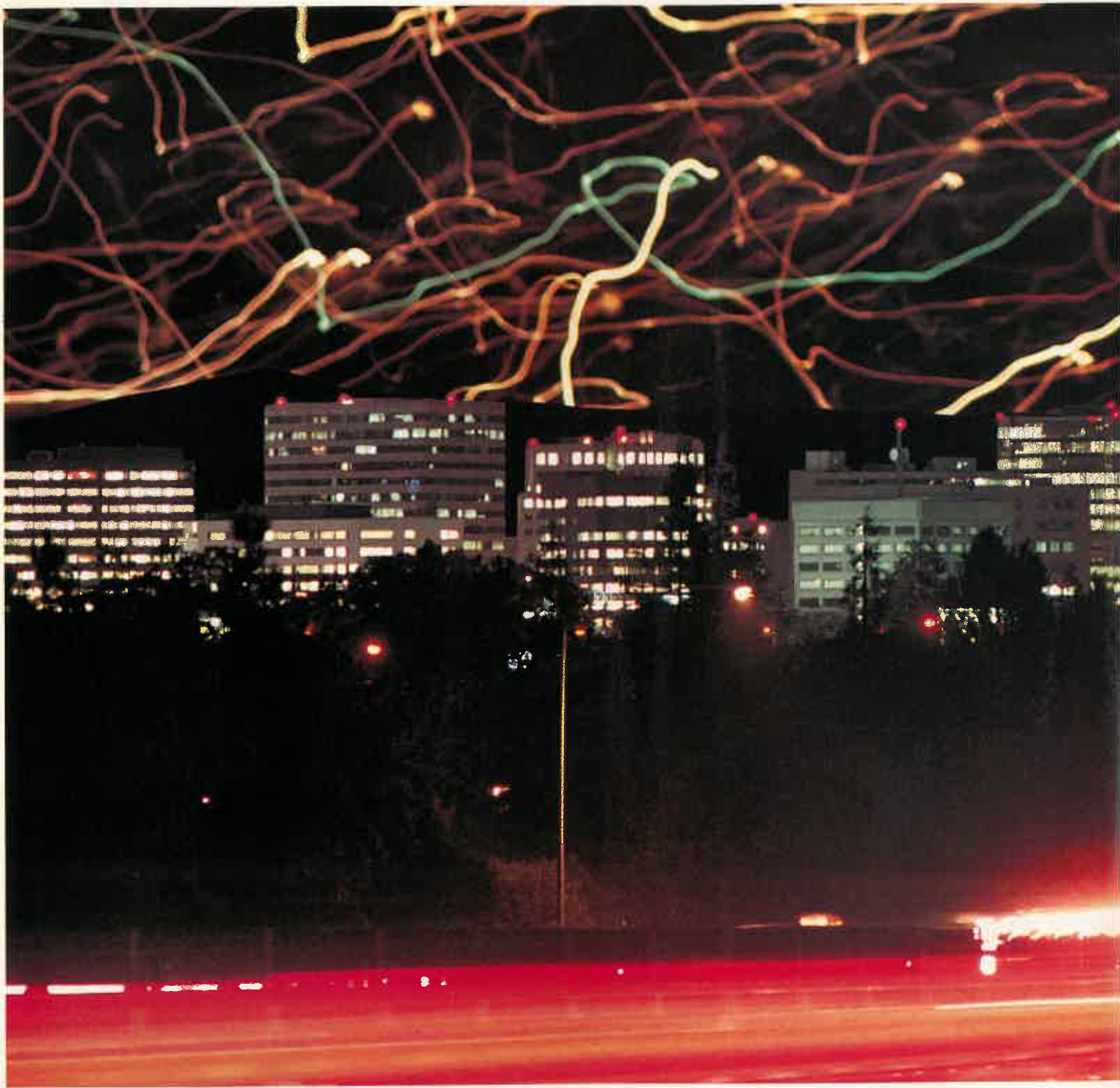
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Where what other cities build over centuries is achieved in the time it takes to dream.

Where the spirit of innovation is as constant as the sun.

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World War I proved a boon to the fruit growing and packing industry, and the Santa Clara Valley was known worldwide as *The Valley of Heart's Delight*. The population grew from 40,000 in 1920 to 58,000 in 1930.

By 1940, the population was 70,000, and during World War II, half a million people were brought into Northern California as part of the war effort. Two-thirds of them stayed on when their duty was completed. During the next 30 years, electronic factories and subdivisions spread relentlessly south from the technology revolution that began at Stanford University.

During the 1950s, San Jose was unabashedly pro-growth and pro-annexation, policies that, coupled with the new jobs in electronics opening to the north, earned it the distinction of being the nation's fastest-growing city. In 1950 San Jose had 95,000 residents in 17 square miles; by 1960, 204,000 people lived in 64 square miles. By 1980, San Jose had 624,000 people, but many if not most of them commuted to jobs in other cities.

Although San Jose was late to industrialize, it alone held the most golden resource of all—171 square miles of land. Silicon Valley development advanced south along San Francisco Bay to a so-called *Golden Triangle* bounded by Highways 101, 17 and 237, where most of the land lay in San Jose, and to the city's southern Edenvale industrial area. With the dawn of the 1980s, the city of the sun was finally to have its day in the sun.

Today, 24 of the 50 largest companies in Silicon Valley have headquarters or divisions in San Jose.

At the time, San Jose was roundly criticized for its aggressive annexations, but in retrospect it was that seemingly selfish act which gave the Santa Clara Valley a dominant political and economic entity. Much like Orange County in Southern California, Santa Clara County might have been left with a number of equally sized cities incapable of agreeing to build a single urban cultural and financial core. By suffering the pains of growth and the reproach of its neighbors, San Jose ultimately provided a capital for Silicon Valley.

### THE WILD WEST OF PRIVATE ENTERPRISE

Silicon Valley has matured, one of its entrepreneurs noted recently. Companies are no longer being started in garages like Hewlett-Packard or in prune sheds like ROLM. Now most of them are being started in living rooms and kitchens.

People in Silicon Valley thrive on planning enterprises, seeking market niches, and contemplating investments.

Silicon Valley doesn't just create high tech. It's home, after all, to the pet rock, Aerobie throwing disk, waterbeds and Jacuzzi spa.

Located in an area of management talent, high incomes, and large population, the

valley has been an ideal base for retailers. With more than \$1 billion in sales tax receipts, the valley is the Northern California leader in retail sales.

Publishing and printing are also important industries.

The *San Jose Mercury News*, flagship of the Knight-Ridder chain, wins more journalism awards than any other daily in Northern California, and its classified advertising section is among the largest in the country. The *San Jose Business Journal* is a primary source of local economic news and advertising for the business community.

One of every three Silicon Valley workers is employed in manufacturing.

Most new manufacturing enterprises are centered around technology.

Ed Zschau, chairman of the Technology Center of Silicon Valley and chairman and CEO of data storage manufacturer Censtor Corporation in San Jose, says he was in constant demand as a speaker from people seeking the secret of Silicon Valley when he served in Congress from 1982 to 1986.

*"What to us seems normal, starting new businesses, creating community projects like the Technology Center, taking risks, exploring new ways to do things, don't happen in many other places," Zschau said. "We don't appreciate this until we go to other parts of the country where such approaches are not prevalent. In some parts of the country, if one leaves a strong, established company to go it on his own, he is considered some kind of maverick. Here, if you don't leave a strong,*

*established company to start your own business, people wonder if you've got what it takes."*

Silicon Valley has more corporate headquarters and FORTUNE 500 companies than Los Angeles and twice as many as San Francisco, notes Angelo Siracusa, president of the Bay Area Council, a nonprofit public policy group.

*"Silicon Valley is the Wild West of private enterprise," adds David Clements, San Jose-based director of high technology worldwide for Arthur Andersen & Company. "It's survival of the fittest."*

Gary J. Sbona, CEO of Regent Pacific Management Corporation in Cupertino, says from 25 years experience: *"There are a dozen giants, but the real Silicon Valley is composed of hundreds of men and women of brilliance, with a lot of guts, who have said, 'Hey, I'll take a shot at it.' They're all out there trying to become giants too."*

Regent Pacific President William R. Krehbiel says there are three primary elements driving Silicon Valley: 1. Technology, 2. Capital, and 3. Living Legends.

### A BASTION OF THE AMERICAN WORK ETHIC

Kate Ludeman, a Los Altos employee-training consultant and author of *Work Ethic*, says Silicon Valley professionals work harder than people anywhere else in America, with work hours 25 percent above the national norm.

*"The commitment and enthusiasm employ-*

*In the middle of the Santa Clara Valley rises a new urban center served by a freeway built with city redevelopment funds.*





# PRESENTING SAN JOSE'S SPECTACULAR NEW CENTERPIECE



The new San Jose Convention Center is both a striking work of art and a remarkable work of architecture. Heralding San Jose's emergence as a new destination for west coast conventions. Our new center offers 435,000 net square feet, including 165,000 square feet of contiguous, column-free exhibit space, up to 30 meeting rooms and a dazzling wall of glass that welcomes in our warm California sun.

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ees show for their jobs is a tremendous advantage for employers," Ludeman said.

Three quarters of all companies, Ludeman says, have a *Skunk Works*, an interdepartmental task force working on a secret project.

Though the Silicon Valley workforce as a whole is considered to be relatively non-union, unions play a major role in industrial and commercial construction, where the

higher skill and productivity of union workers allow union contractors to stay competitive.

An example of the special skills shown by Silicon Valley workers is San Jose Local 393 of the Plumbers & Steamfitters Union.

Union plumbers have built every manufacturing plant "since David Packard's garage," says Robert J. Duffey, business manager.

While the union has lost ground in low-end construction, it reigns supreme in what constitutes the Rolls Royce of plumbing, assembling the pipes for tremendously pure gases used in electronics clean rooms. As illustration, the increase in purity of electronics industry gases over hospital oxygen is greater than the difference between raw sewage and drinking water.

The local contractors who employ these skilled workers win contracts worldwide because they can guarantee the work will be done right the first time.

### A LEADER IN 50 INDUSTRIES

Far from being a *high-technology* monolith, the industries of Silicon Valley are as disparate as fire and water. Technological pursuits range from gene splicing to radar jamming.

Dataquest, a San Jose-based market research company, identifies 50 different industries, of which office systems, manufacturing automation, and components are the largest.

Large companies like Hewlett-Packard compete nearly across the board. Other manufacturers specialize in niches, like Ungerman-Bass Inc., which has a \$150 million business linking departmental computer networks with central management information systems.

Silicon Valley competes in all areas, dominates world production in some, has lost ground to Japan in others. Japan, principally the Tokyo area, now produces 52 percent of world semiconductors, compared to 35 percent in the United States, but all major Japanese semiconductor companies have Silicon Valley branches.

The valley ranks first nationwide in production of semiconductors, ordnance systems, computers, electronic components and instrumentation.

Major components of the Bay Area's leading biotechnology industry are located in the valley.

The leading pharmaceutical company is Syntex Corporation, whose synthesis of steroid hormones from the native Mexican yam plant led to the manufacture of the first birth control pill.

### THE WHOLE BALLGAME IN SEMICONDUCTORS

Despite broad diversification, most manufacturing in some way involves semiconductors.

Sheridan M. Tatsuno, a senior analyst specializing in the Japanese semiconductor

industry for Dataquest, says, "*Silicon Valley controls research and development and prototypes, and it offers the most advanced intellectual network in the world. Tokyo may be first in semiconductors, but Silicon Valley still is first in overall electronics, and if you want to be involved in American semiconductor development, you've got to be here. Hitachi, Toshiba, IBM, Olivetti, you've got to be here. This is the whole ballgame.*"

The largest semiconductor manufacturers in Silicon Valley are National Semiconductor, Intel, Advanced Micro Devices, Signetics and LSI Logic. More than half of the 140 semiconductor companies started in the last 10 years were in Silicon Valley.

The acquisition of General Electric's Solid State Division by Harris Semiconductor in late 1988 turned Harris Corporation of Florida into a major Silicon Valley company as well as the nation's sixth largest semiconductor manufacturer. The acquisition included semiconductor-manufacturer Intersil in Santa Clara and GE's gallium arsenide microwave operations in Milpitas.

Major computer manufacturers include Amdahl, Apple, Hewlett-Packard, IBM, Sun Microsystems and Tandem, but hundreds of other companies of varying sizes make computers or are involved in peripheral products.

Although the San Jose area has a population of less than 1.5 million, its \$25 billion of manufacturing ranks fifth in the nation, behind the counties of Los Angeles; Cook (Chicago), Wayne (Detroit), and Harris (Houston).

Silicon Valley might also have been called

*The 15,000 employees of Santa Clara County, administered from this building in San Jose, serve 1.5 million people over 1,300 square miles with 16 cities and large areas of mountains and farms.*



## Kimball Small Properties Master Developer Of Downtown San Jose

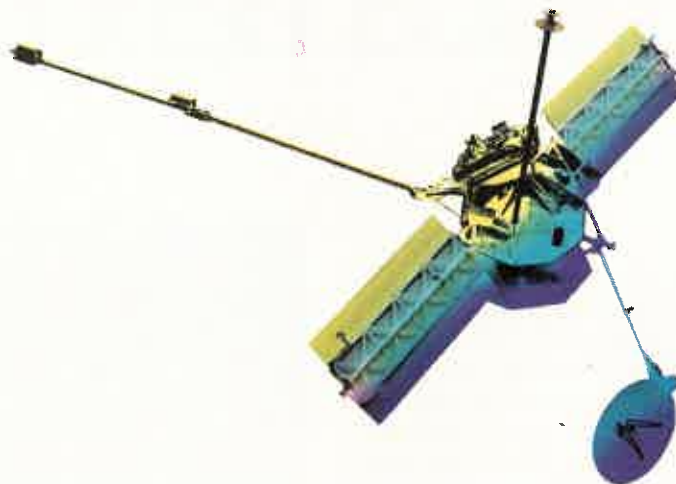


**The Fairmont Hotel and Fairmont Plaza office building at Silicon Valley Financial Center significantly enhance the downtown skyline.**

A dramatic change in San Jose's downtown skyline has been created by the redevelopment activities of Kimball Small Properties. Selected by San Jose as master developer for the Downtown Redevelopment Project that has become the mixed-use Silicon Valley Financial Center, Kimball Small Properties and its partners completed the Colonnade apartments in 1986, Fairmont Hotel in 1987, and the Fairmont Plaza office tower and Pavilion retail center in late 1988. Now plans are nearing completion for a second office building that will be the tallest between San Francisco and Los Angeles and for the second phase of residential development.

In all, Kimball Small Properties has developed more than 10 million square feet of buildings in the West, including the highly successful, 400-acre Oakmead Village business park in Sunnyvale and Santa Clara. In cooperation with the City of Santa Clara, it developed the popular Doubletree Hotel and prestigious Techmart marketing center at the Santa Clara Trade and Convention Center. Techmart, headquarters of the American Electronics Association and showroom for leading computer companies, has become the leading meeting center for Silicon Valley industry.





## We're already making plans for the year 2000.

Consolidated Freightways is one freight transportation company that keeps its eyes firmly on the road but isn't afraid to think about things down the road. But we've been doing this for years.

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# How Acer helped a regional firm

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*Mark A. Fien, CPA  
Stonefield Josephson  
Certified Public Accountants  
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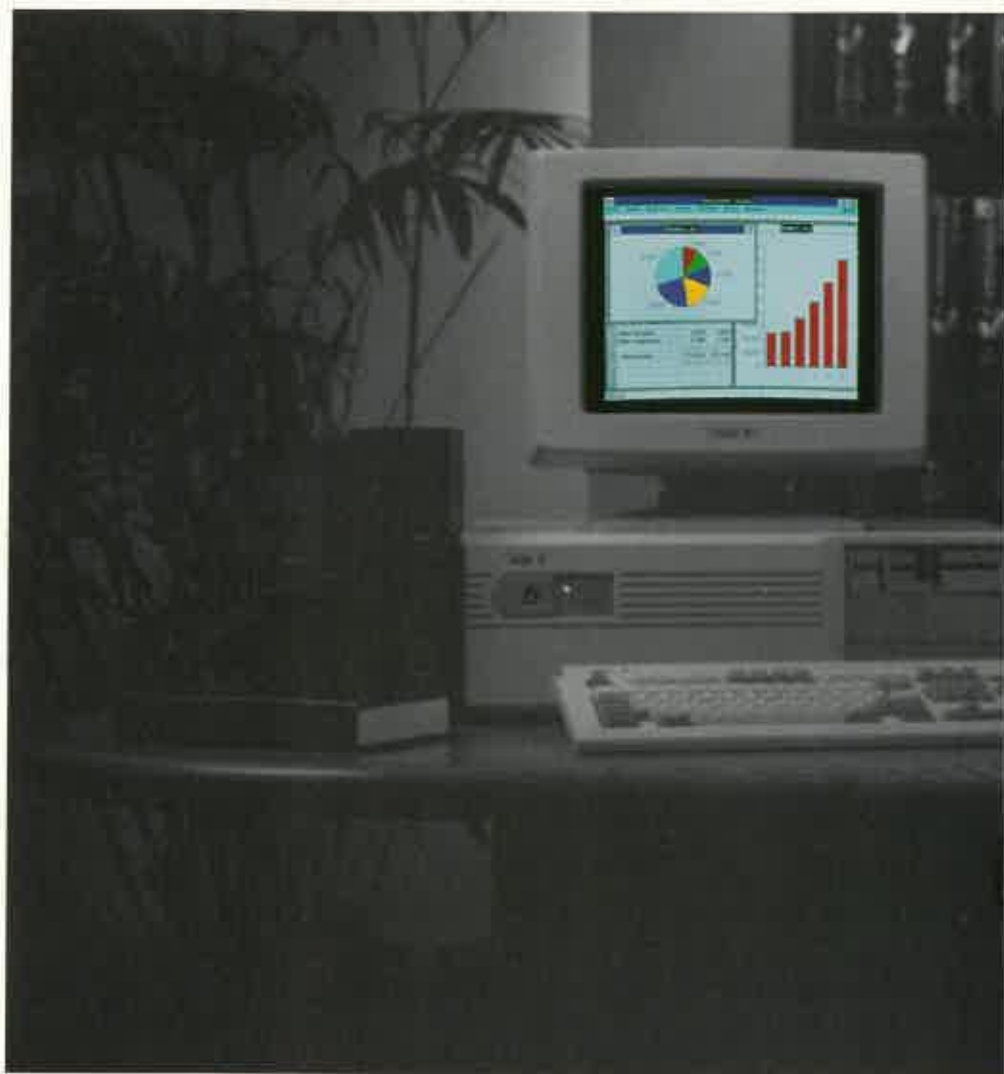
## **Networking Client and Accountant**

But the firm has taken computerization a step further, by installing Acers right in the

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"Computerization has changed our role from the traditional passive accountant to active consultant working in real time," says Mark A. Fien, CPA for Stonefield Josephson.

### **Acers Play a Key Role**

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business. With over 300 corporate clients across the nation, from Hawaii to New Jersey, the computers we use in our clients' offices, as well as in our own, must be fast, reliable and affordable. The Acers fit the bill perfectly.

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Another fact: *we've piped every high-tech facility ever built in Silicon Valley.* From manufacturing plants to Class I clean rooms. For companies from Avantek to Zentec.

Not surprisingly, this level of sophistication is only available from Silicon Valley-trained technicians and contractors. And we provide these services worldwide.



To get the whole picture as to how our expertise can make you more productive, contact one of the contractors listed here. Or fill out the reader response card in the back of this supplement.

While our technology and commitment is greater than ever before, one fact remains unchanged.

We still make house calls.



**Plumbers & Steamfitters  
Local Union 393**



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**ICOM Mechanical Inc.**  
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Winchester Valley, not after the firearms manufacturer whose profits were used to build Sarah Winchester's *mystery house*, but because the magnetic recording industry and the Winchester disk drive for the floppy disk were invented here. Leading data storage companies include Seagate Technologies, Conner Peripherals, Maxtor, Quantum and Priam.

Maxtor, started in 1982, now has 3,300 employees worldwide and annual sales of high-capacity Winchester and optical data storage products of more than \$300 million.

Telecommunications is another important industry. Ford Aerospace and Lockheed Missiles & Space produce most of America's communications satellites.

Every U.S. submarine-launched ballistic missile, Polaris, Poseidon and Trident, has been built by Lockheed Missiles & Space Company, which currently is working on 400 contracts.

FMC Corporation has built armored personnel carriers and the Bradley Fighting Vehicle in San Jose. Most defense electronics comes out of Silicon Valley.

The largest employers in the Valley are Lockheed, 26,000; IBM, 18,500; Hewlett-Packard, 17,000; National Semiconductor, 7,600; Apple Computer, 7,000; Xidex, 6,200; Advanced Micro Devices, 6,000; FMC, 5,000;

Varian, 4,900; and Amdahl, 4,000.

### AN INTERNATIONAL COMMUNITY WITH A WORLD VIEW

During his presidential campaign, George Bush visited Applied Materials Inc. to congratulate its employees on their contribution toward America's trade balance. Applied Materials earns 56 percent of its revenue from international sales, 40 percent in Japan alone.

Perhaps nowhere else outside Washington, D.C., is such attention given to foreign affairs as in Silicon Valley. While government seeks to persuade older industries elsewhere to enter world markets, Silicon Valley companies are international from day one.

"No successful company in Silicon Valley does not deal on an international scale," says A.C. (Mike) Markkula, co-founder and vice chairman of Apple Computer and chairman of computer-network manufacturer EcheLON systems.

Silicon Valley is America's hope to remain a major technological power. Yet the Valley's position is a paradoxical one, for it is among the most international communities in the world. American companies not only are major exporters, they are major importers.

Furthermore, Silicon Valley draws heavily on foreign professionals, who may comprise

### HOW SILICON VALLEY HAS CHANGED YOUR LIFE

For more than a century, the fertile Santa Clara Valley has nurtured industry and invention alongside its vineyards and orchards. Here are a few of the things valley residents have invented or to which they have made a major contribution. (Information Courtesy of Technology Center of Silicon Valley)

Radio  
Tape Recorder  
Video Games  
Motion Pictures  
Transistor Computer  
Semiconductor Computer  
Microprocessor  
Personal Computer  
Computer Networks  
Computer Mouse  
Magnetic Disk Drive  
Computer-Assisted Teaching  
Engineering Work Station  
Time-Share Computers  
Birth Control Pill  
Commercial Radio  
Lasers  
Laser Surgery  
Laser Cutting Beams

Laser Grocery Checkout  
Radar  
Nuclear Body Imaging  
Heart Transplants  
Heart-Lung Transplants  
Music Synthesizer  
Computerized Airline Reservations  
Magnetic Check Reader  
IQ Tests  
Hydrogen Bomb  
Flame Throwers  
Napalm  
Polaris  
Poseidon  
Trident  
Armored Personnel Carriers  
Planetary Mapping  
Aerobic  
Research Parks  
Collagen  
Gene Splicing  
Transportable Baby Incubators  
Football Helmet  
Football Huddle  
T Formation  
Spiral Pass  
Reverse  
One-Handed Basketball Shot

# Standing On The Same Corner For 115 Years Has Given Us A Very Unique Perspective On San Jose.



In 1874 we opened our doors at the corner of First & Santa Clara Streets, in the heart of San Jose.

We began safekeeping customers' deposits, making loans to growing businesses and families and made a commitment to serving the needs of the Santa Clara Valley.

From this corner we've seen fields of wheat give way to orchards of prunes which made way for wafers of silicon. And all along, we've led the way with innovative services for a changing San Jose.

Helping the valley's growing businesses and families has helped us grow — to \$1.8 billion in assets and 44 offices in California, plus membership in the BNP group, with offices in 73 countries and assets exceeding \$170 billion.

We offer a unique perspective on San Jose and its special opportunities for people and businesses intent on growing. And we bring 115 years of experience and understanding unmatched by any other local financial institution.

And that could help you get a real corner on this market, too.

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a quarter of the workforce.

Finally, the foreign companies with which Americans compete in world markets have established such a major presence in Silicon Valley that they have become integral parts of the American economy.

Steve McKenzie, president of Acer Technology Corporation's U.S. subsidiary in San Jose, says the Taiwanese-owned company started its U.S. subsidiary four years ago to market, distribute and manufacture personal computers and other computer products. Sales were \$106 million last year.

*"Acer needed a U.S. subsidiary to be a viable player in the most competitive and dynamic market in the world,"* McKenzie said. *"Silicon Valley is the center of that energy. We're trying to participate in and get benefit from the energy coming out of the valley."*

Osaka, Japan, is the sister city of San Francisco, but when Osaka established an American presence, it did so in San Jose.

The world became even smaller with the opening of the new Center for International Trade and Development in San Jose. A centralized resource point for local firms and overseas investors, the center provides easy access to the information and technical assistance necessary for international trade, business linkages and investment.

Silicon Valley's Wild West of private enterprise absorbs the best of foreign culture as well as technology. Ultimately, this ability may be its greatest strength.

### GOVERNING WITH AN ENTREPRENEURIAL SPIRIT

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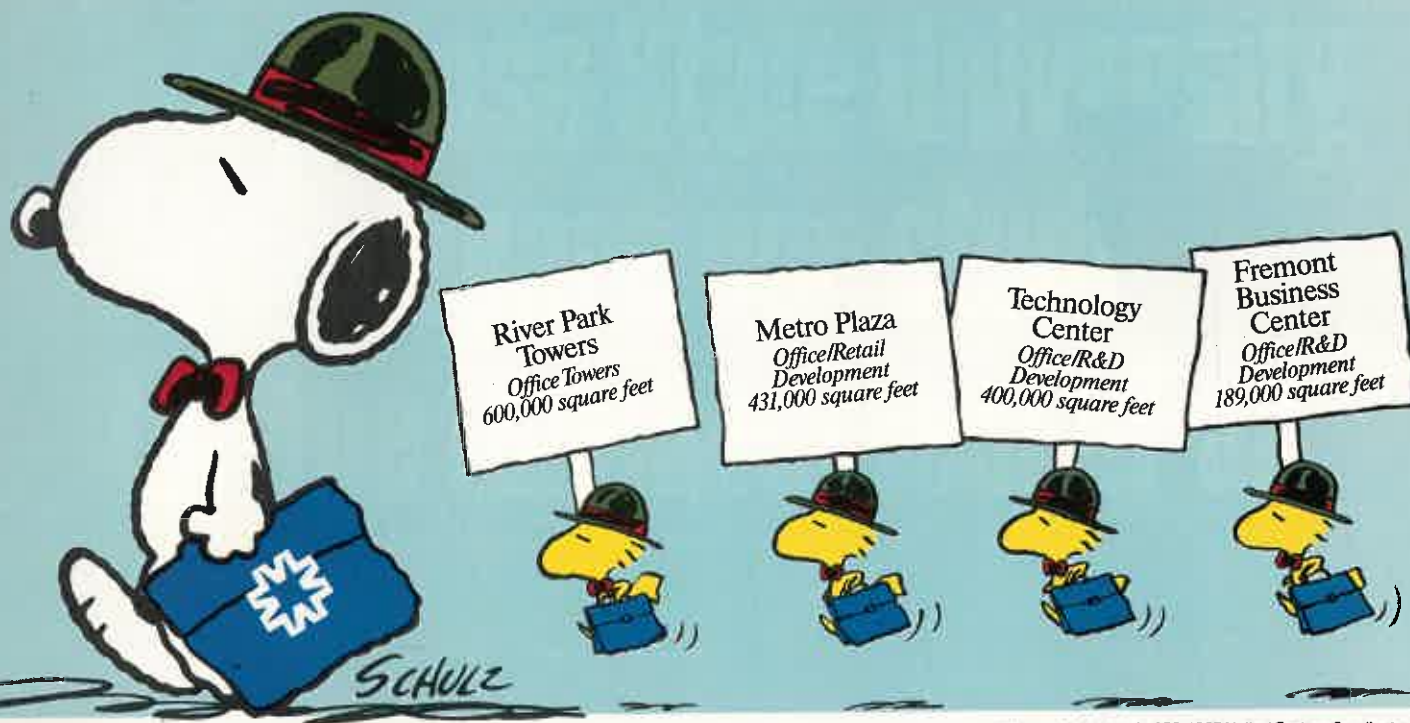
*Apple Computer Inc. is the major tenant in Metropolitan Life's RiverPark Towers, whose grounds encompass the first section of the three-mile-long Guadalupe River Park.*



Del Carlo Photography



# When It Comes To Investing In Silicon Valley



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also applies to government. Public officials say they too have to be lean, creative and competitive.

San Jose's 5,400 employees give it the lowest employee to population ratio among the 50 largest cities in the United States. It has the lowest crime rate among the state's 10 largest cities.

### AN AGGRESSIVE ECONOMIC DEVELOPMENT PROGRAM

San Jose aggressively courts business and maintains a comprehensive economic development program. William Claggett, founding director of the city's Office of Economic Development, notes that the program mirrors both the diversity and the entrepreneurial qualities of the San Jose economy.

*"To maintain a cutting-edge position in today's global marketplace, neither the private nor the public sector can go it alone,"* Claggett says. *"In San Jose, private enterprise and public officials collaborate to tailor-make effective economic programs."*

San Jose operates one of 10 enterprise zones in California and the only one in the San Francisco Bay Area. All businesses in the zone are eligible for state incentives that include hiring and sales tax credits, a 15-year net operating loss carryover, business expense deductions and tax-free returns on investments. In addition, the city may exempt companies in selected areas from business licenses, utility taxes and sewer-connection fees.

Since 1974 San Jose has sponsored a foreign trade zone, which expedites imported goods through U.S. Customs.

San Jose offers a special handling procedure whereby selected economic development projects receive high level departmental attention throughout the review process.

The city additionally provides financial assistance to small businesses in the downtown and in neighborhood business districts throughout the city.

### REDEVELOPMENT'S TEXTBOOK SUCCESS

The major impetus for downtown renaissance has come from the Redevelopment Agency of San Jose. Downtown redevelopment was begun in 1956, but proceeded only slowly for its first 23 years. The current momentum traces its roots to the appointment in 1979 of Frank Taylor as executive director, the city's winning state approval in 1980 to pool property tax increments from multiple redevelopment areas into a single fund, and the election in 1982 of Mayor Tom McEnery.

McEnery's leadership and City Council support have been vital for redevelopment.

In many cities the process has not worked satisfactorily. The redevelopment money may be spent unwisely, and economic conditions may be so distressed that the stage where

Grant Anwell, Cap Studios



*Mayor Tom McEnery has been a driving force in the rebirth of Downtown San Jose.*

private investors join in is never reached.

San Jose redevelopment, however, is textbook classic. Downtown renaissance is occurring even faster than considered possible.

Pooling funds from the city's project areas in 1980 allowed the Redevelopment Agency to redirect into the downtown more than \$200 million in property taxes levied on the tremendous wealth being created by Silicon Valley industry. Federal and state funds have added to the pool.

### AN EMPHASIS ON QUALITY

McEnery, a successful businessman as well as an historian and author of *California Cavalier* about the life of Thomas Fallon, was born and reared as a third-generation San Josean. He witnessed the decline of the lovely, energetic downtown of his boyhood and became determined as mayor to restore and redevelop it in a way that would make every resident proud.

McEnery's goal of high quality redevelopment combined with restoration of historical buildings meshed perfectly with the views of Taylor, a Bostonian who was recruited from the redevelopment program in Cincinnati.

*"We can always get budget hotels, discount department stores and second-class office buildings, but we will never achieve a downtown worthy of a great city if we do so,"* Taylor said.

This overriding concern for quality led the city in 1981 to select Kimball Small as developer for what became the Silicon Valley Financial Center. Small had developed millions of square feet of commercial and industrial space in Southern and Northern California, Arizona, Oregon, Nevada and Texas, but was perhaps best known for the



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mixed-use Oakmead Village business park in nearby Sunnyvale and Santa Clara. Silicon Valley Financial Center was to be by far his most ambitious and challenging project.

Sharing Taylor's commitment to quality, Small brought in as partners national leaders in their fields, Swig Weiler & Dinner Development for the luxurious Fairmont Hotel and Melvin Simon & Associates for the Pavilion retail center and the Fairmont Plaza office tower. The Colonnade apartments is a joint venture with Goldrich, Kest, Stern & Matthews.

Plans are being prepared for the second office tower at Silicon Valley Financial Center, and construction is expected this year on the second phase of residential development. Throughout the downtown, developers are completing plans for what will be the second wave of construction.

### WIDE VARIETY OF POWER SOURCES

Electric Power in Silicon Valley is provided by Pacific Gas & Electric Company, which has one of the most diverse generating systems in America. Primary sources of power are dams in the Sierra Nevada, alternative fossil fuels, and nuclear power. In the geyser area of Northern California, wells are dug not for oil but to tap thermal heat that turns water to steam that drives generators. At the windy Altamont Pass between the Livermore and Sacramento Valleys stands a forest of whirling windmills of various design, each contributing a tiny amount to the power grid.

### A PREEMINENT MEDICAL COMMUNITY

The Santa Clara Valley is one of the world's leading centers for medical treatment and research with one of the highest ratios of physicians to population. Every recognized

medical procedure is offered. Specialized programs include organ and bone marrow transplantation at Stanford Medical Center, burn and spinal cord rehabilitation at county-owned Valley Medical Center, in-vitro fertilization at Good Samaritan Hospital and Stanford, and a 40-physician Cancer Institute at San Jose Medical Center that combines medical and radiation oncology.

The valley is served by 12 general hospitals, two Veterans Administration hospitals, a state hospital for the handicapped, the Children's Hospital at Stanford and numerous outstanding clinics.

As a major teaching and research center, Stanford Medical Center is the primary supplier of intern and resident physicians, and Stanford faculty members practice throughout the valley.

Stanford, Valley Medical Center and San



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*Silicon Valley residents celebrate the opening in April of the \$143-million, 1.2-million-square-foot San Jose Convention Center.*



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A

B

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Jose Medical Center operate trauma centers with heliports. San Jose Medical Center's trauma center, largest of the three, treats 1,800 people per year.

### LAND OF PLENTY FOR BUILDERS AND INVESTORS

Developers of commercial and industrial property have had to be as entrepreneurial as the manufacturers who lease their space. Perhaps 90 percent of their buildings have been built with borrowed money and the hope that a growing business would come along to lease them.

Fortunately, the long-term trend has been decidedly up. Four out of five Silicon Valley companies survive at least five years, exactly the opposite of the ratio nationally.

For a decade, Silicon Valley industry has been absorbing on average more than 10 million square feet of industrial space per year, highest in the nation and sometimes four to five times higher than the second place market.

Yet electronics has had its recessions, and the building supply can grow even faster than a healthy economy. Booming business and soaring rents prompted so much building in 1984 that by the end of 1985, the inventory of unleased industrial space topped 30 million square feet out of a total amount of 250 million square feet. The inevitable consequences were falling rents, lost equities, and a cutback in construction.

For business, however, the overbuilding slashed facilities costs.

Some bargains in rental space continue to exist, though much of the inventory now has been worked off and developers and contractors are again busy.

Many developers have created relationships with institutional partners, such as Orchard Properties' 10-year partnership with

Copley Real Estate Advisers. Orchard has developed buildings in which 27,000 people work and still has one of the largest undeveloped parcels in the heart of Silicon Valley.

### GROWING MARKET FOR OFFICES

The combination of rapid internal growth and the movement of service industries into the Valley has produced a market for offices and retail centers as attractive to developers and investors as industrial parks.

San Jose has approximately 11.5 million square feet of commercial offices, and the cities of Santa Clara, Sunnyvale, Palo Alto, Campbell and Cupertino have a total of about 19 million square feet.

Most future growth is expected to be in San Jose.

As the downtown increasingly attracts corporate headquarters, it is expected to become the valley's dominant office center.

### CALIFORNIA LIVING MUCH IN DEMAND

It's too bad Will Rogers is not around to comment on Silicon Valley homes. He might note: "Everybody complains about the cost of housing, but only when they're buying."

The price of single-family homes has risen dramatically, new homes in the Bay Area average \$300,000, and the days of older homes under \$100,000 are nearly gone.

San Jose, however, provides the majority of affordable housing in the valley, and purchase and rental costs are among the lowest in the Bay Area.

As an example of the scale of home building under way, Shea Homes is developing 1,550 executive homes in the Silver Creek Valley in southern San Jose and 1,400 units of attached housing for Silicon Valley professionals in northern San Jose.

Some of the housing needed to accom-

*Silicon Valley homes under construction in San Jose help accommodate economic growth.*



Lynne Delamater Photography

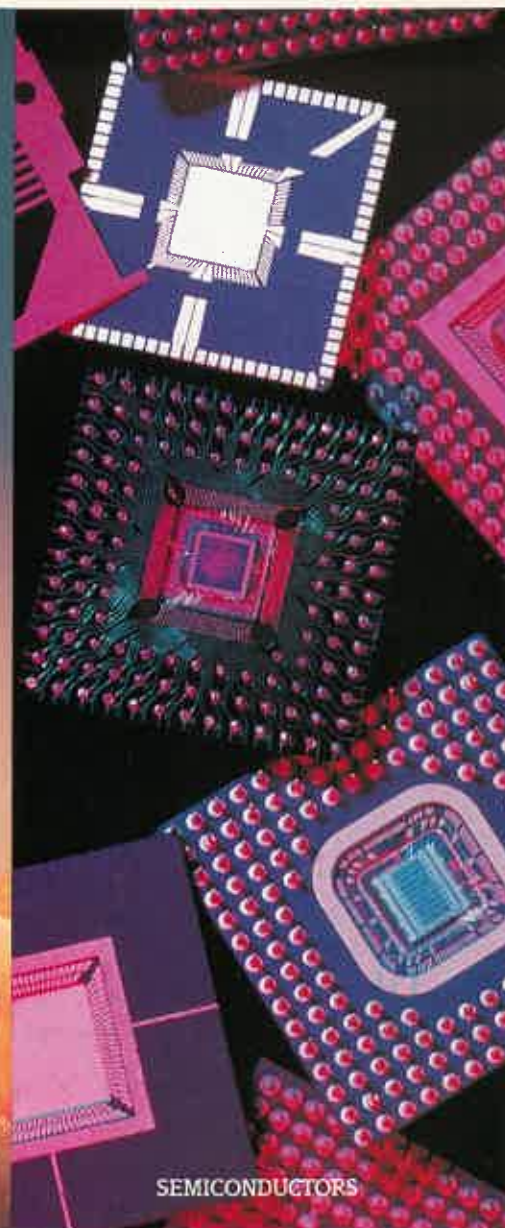




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moderate jobs' growth is being built in Alameda and Contra Costa counties.

People who work in Silicon Valley also have the option of living in the coastal communities on Monterey Bay or in forested areas of the Santa Cruz Mountains.

### RESTORING THE OPEN ROAD

While San Jose forged ahead with redeveloping its downtown, state funding for freeway access lagged far behind. The situation prompted San Jose to do something almost unheard of in modern times—it spent \$40 million of its own money to build a new downtown freeway.

Today San Jose has one of the nation's most accessible downtowns by air as well as land. From San Jose International Airport, 30 miles south of San Francisco International Airport, it is only three miles to Downtown San Jose and the heart of Silicon Valley industry.

When people perceived in 1984 that industrial growth threatened the freedom of the open road during peak commute hours, they approved levying a half-cent sales tax to raise \$1 billion for road improvements. The resulting Santa Clara County Traffic Authority is now constructing an entirely new 18-mile West Valley Freeway with a mass transit median, widening existing freeways to eight lanes and upgrading State Highway 237 to full freeway standards.

Voters also have consistently supported mass transit programs, and a half cent on the sales tax goes for transit as well as a half cent for highways.

A new era in local transportation began in 1973, when county government assumed responsibility for transit services and created Santa Clara County Transit. Today, this aggres-

sively promoted transit system provides a countywide integrated network of 77 bus routes, plus a new light rail line.

A new downtown transit mall is a distinctive urban hub, accommodating buses, light rail and shuttle service on beautifully restored trolleys. The antique trolleys may become as closely associated with San Jose as are the cable cars with San Francisco.

### MAJOR FREIGHT CARRIERS ACTIVE

The network of freeways and expressways fosters efficient freight trucking for manufacturing and service industries, and more than 200 trucking firms operate in Silicon Valley.

Consolidated Freightways, Inc., the largest commercial freight carrier in North America; Viking Freight Systems Inc., a major regional carrier; and DHL Worldwide Express are all headquartered in Silicon Valley. Consolidated Freightways operates businesses in long-haul and regional trucking, air freight, ocean container freight and rail piggyback services. Revenue in 1988 was \$2.7 billion.

### DOING WHAT THEY DO BEST

Rivaling the downtown in the pace of change is San Jose International Airport. Commercial service, which has been growing steadily to its current six million annual passengers, took off in late 1988 when American Airlines selected San Jose to be one of its six national hubs. American is moving flights to San Jose as fast as it can get airplanes.

This fall San Jose International Airport is to open a \$126 million new terminal, which will feature glass exterior walls and skylights with interior landscaping separating the individual departure and arrival lounges.

The airport master plan calls for two more

*Major expansion is under way at San Jose International Airport, which American Airlines selected as a hub not only because of passenger volume but because it has the best weather in Northern California.*



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What *is* Cannery Park? It is perhaps the richest, most diverse development project in San Jose's 212-year history. The *genesis* of Cannery



Park lies in the canneries that once supported Santa Clara Valley's booming agricultural trade. As the Valley shifted from cherries to chips, the canneries were abandoned



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new terminals by the year 2006. Other carriers serving San Jose are Alaska, Continental, Delta, American West, American Eagle, TWA, United, United Express and USAir.

Corporate jets and general aviation have a high quality terminal in the San Jose Jet Center. Considered the leading Fixed Base Operator in Northern California, the Jet Center leases space to a variety of aviation businesses and a four-star French restaurant. Two other excellent fixed base operators are Million Air and ACM.

*"By the year 2006, San Jose International Airport expects to have 18 million passengers annually," according to Director of Aviation Raul Regalado. "The Bay Area will become like New York, where Kennedy is the international airport and most domestic travelers use LaGuardia and Newark. San Francisco will become the major international airport, and San Jose will be the major domestic airport with some international service."*

San Jose's new \$421-million light rail system connects with transit buses in a \$43-million Downtown Transit Mall.



## LEADING EDGE IN EDUCATION

The colleges and universities of Silicon Valley make a major contribution to the Bay Area as a whole now being considered the nation's and perhaps the world's leading center of education, a laurel once worn by the Boston area.

Stanford gave birth to Silicon Valley. The Stanford Research Park was the nation's first.

Stanford's role in the valley continues. The university enrolls more graduate students in electrical engineering than any other U.S. university and is a leader in computer science.

Yet while Stanford's role in advanced research and as a world institution remains dominant, it has increasingly fallen upon other institutions of higher education to educate the growing number of people needed by the valley's burgeoning economy.

These institutions include seven community colleges, Santa Clara University and San Jose State University.

## COMMUNITY COLLEGES

The California system of community colleges with 70 districts and 100 campuses, is one of the strongest in the nation. The colleges serve as an intermediary step between secondary school and university, as major suppliers of vocational training, and a source of continuing education for professionals and wage earners. The community colleges in Silicon Valley offer instruction in a wide variety of subjects to a standard where credits frequently are accepted at par by universities.

The Silicon Valley colleges are Foothill, Los Altos Hills; De Anza, Cupertino; West Valley, Saratoga; Mission, Santa Clara; San Jose City and Evergreen, San Jose; and Gavilan, Gilroy. Together they enroll more than 120,000 students.

As would be expected, much emphasis is given to training people for employment in the electronics industry.

## SANTA CLARA UNIVERSITY

The Jesuits founded this popular university in 1851 on the grounds of Mission Santa Clara, which had been established by the Franciscans in 1777. In 1857 Santa Clara conferred the first college diploma in California.

Santa Clara University holds enrollment to 3,600 undergraduates and 3,900 graduate and law students.

Although the university enjoys an enviable reputation in many fields, the Leavey School of Business Administration is considered particularly strong.

Santa Clara University graduates include 400 presidents or directors of Silicon Valley companies. The MBA program enrolls 1,100 people, most of them business executives studying part-time.



*Students relax near Tower Hall at San Jose State University, whose enrollment of 28,000 students has been vital to the strength of the electronics industry.*





As high technology exploded in Silicon Valley the landscape changed dramatically. The endless orchards of peaches, prunes and apricots gave way to the buildings that would house a revolution. Recording it, and at the same time transformed by it, was the San Jose Mercury News.

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## SAN JOSE STATE UNIVERSITY

San Jose State professors have been described as the "hidden heroes of Silicon Valley," for they more than anyone else have provided the skilled professionals who have made the Silicon Valley economy possible.

Not only does the university turn out large numbers of students—there are 3,200 engineering majors and 6,000 business majors alone—nearly 90 percent of them stay in the valley after graduation.

Arts majors study graphic design. English majors write computer manuals. The university's many journalism graduates work in a variety of communications activities.

San Jose State is the primary supplier of teachers and of continuing courses in education. It is the valley's primary source of baccalaureate nurses, and it provides the degrees in law enforcement required by the valley's police departments. The music and arts programs are active participants in the city's cultural renaissance.



*The San Jose Center for the Performing Arts is the largest of several theaters in San Jose, where patronage of the arts has experienced tremendous growth.*



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San Jose State is the oldest state supported institution of higher learning in California.

San Jose State enrolls 28,000 students in a 20-block area adjacent to the new downtown.

President Gail Fullerton sees the university as being particularly community-oriented, with community activities held on campus and university activities sponsored in off-campus locations. MBA programs, for example, are offered at industry locations such as Apple Computer. The university and its departments are forming partnerships with industry. Internship programs are being created in nearly every field.

The extent of corporate support for the university is illustrated by the School of Engineering building completed last year. The state appropriated \$24 million for the building; industry donated an additional \$16 million to make it first-class. Students can design, manufacture, and use silicon chips right in the classroom. The building will allow engineering enrollment to grow to 5,000 students, and Jay Pinson, dean of the Engineering School, says it has been a tremendous tool in recruiting faculty.

## EXCEPTIONALLY FINE ARTS

The elements that build Silicon Valley industry—energy, creativity, risk—also fuel the arts. Music, drama, dance and art organizations in San Jose stand on the leading edges in creativity and excellence, and the support and patronage they have achieved place them in the same fast tracks as the growth companies for which the valley is famous.

San Jose Symphony subscriptions are up a remarkable 50 percent this year. San Jose



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Meanwhile, Dr. Stanley Chism and Dr. Dayton Misfeldt are winning at our all-new Cancer Care Institute with a unique integration of medical and radiation oncology. Together with a team of 40 associate physicians, they're fighting back with extraordinary medical technology.

For example, our sophisticated new linear accelerator is able to pinpoint and eliminate cancerous cells while sparing the healthy surrounding tissue. This technology is then combined with something else that saves lives: a medical staff that cares.

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Repertory Theater subscribers have grown a record 25 percent in one year. Opera San Jose increased its operas from three last year to four this year and plans seven operas next year to try to avoid oversubscription. San Jose Civic Light Opera had 7,500 subscribers six years ago; today 29,000, the largest of any civic light opera group in the United States. The San Jose Cleveland Ballet has doubled subscribers since its 1986-87 premiere season and expects 57,000 people to attend its six programs this season. The San Jose Museum of Art is building a 40,000-square-foot addition to its venerable stone building in the heart of downtown.



*The San Jose-Cleveland Ballet program is ambitious, well-sponsored and a model for funding the arts.*

Many other arts groups perform throughout the Valley at civic, college and university theaters, as they have for generations. What is new is the development of a second center of nationally recognized professional artists in San Jose only 50 miles from the renowned cultural center of San Francisco.

San Jose fine arts groups have accomplished this remarkable achievement by creating productions that complement rather than compete with those in San Francisco and by persuading industry that fine arts are part of having a good place to do business.

Opera San Jose, founded by San Jose native Irene Dalis, a former Metropolitan Opera principal soprano, has captured a market niche with a European-style resident artist program that allows a troupe of performers to work together for a year.

By sharing a company with Cleveland, San Jose has been able to offer a high-quality ballet with the fifth largest budget in the country.

### OLDEST SYMPHONY IN THE WEST

While San Jose's opera, repertory theater, and ballet are less than 10 years old, the San Jose Symphony was started 110 years ago and is the oldest west of the Mississippi, and the Civic Light Opera at 54 years is one of the oldest in the nation. The two groups share the 2,600-seat Center for Performing Arts.

When the conductor of the London Cham-





Maestro George Cleve conducts the San Jose Symphony, the oldest and one of the best orchestras west of the Rockies.

er Orchestra of Europe fell ill last year shortly before a Mozart performance in Vienna, managers frantically called upon the San Jose Symphony for help. The Symphony's music director, Vienna-born George Cleve, has the ability to direct entire Mozart masterpieces as well as those of Brahms, Beethoven and Tchaikovsky without a score to follow. Cleve flew to Austria, and newspapers reported the orchestra performed flawlessly.

#### COMPETING WITH MOTHER NATURE

Al Weber, general manager of Great America theme park in Santa Clara, muses over the drawing power of his primary competitors—they are the ocean, the bay, San Francisco and Carmel, the foothills and mountains.

Other amusement parks serving Silicon Valley are Marine World Africa U.S.A. in Vallejo; the Santa Cruz Boardwalk along the beach; and Raging Waters, which is developing as a major center for flume rides and other entertainment in San Jose's Cunningham Park.

#### GARDENS AND FESTIVALS

San Jose has 3,000 acres of urban parks that include major regional attractions. Still, civic leaders have felt the city needed an outstanding public preserve that would be readily identifiable with San Jose.

They have found this area in the rivers and streams that descend from the mountains through San Jose to San Francisco Bay. Under development, with major pieces already in place, is a series of linear parks along the banks of the Coyote and Guadalupe Rivers and up such tributaries as Alum Rock, Silver and Los Gatos Creeks. This network of park chains is periodically widened for such attractions as golf courses, Children's Zoo, Happy Hollow children's amusement park, Japanese Friendship Gardens and picnic areas. The network is being connected to systems of equestrian trails around the valley and bicycle trails around the bay.

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Perhaps the most dramatic portion of this chain will be the Guadalupe River Park running three miles through the downtown, creating a series of lakes and ending in floral gardens.

San Jose's park system has two other unusual elements. The first is an Historical Museum consisting of restored buildings plus replicas.

The second is a city ethnic gardens program that includes the existing Japanese Friendship Gardens and a Chinese pavilion. Other gardens will reflect the heritage of Vietnamese, Mexicans and Portuguese.

### PRIVATE REDEVELOPMENT AT CANNERY PARK

When San Jose lost its orchards and farms to landscaped electronics plants, it also lost its canning industry. The great canneries that once employed thousands of people in the Japantown area closed.

In the summer of 1986, local developer Stan Davis formed a partnership with the Metropolis Group of developers to privately redevelop the old cannery buildings for contemporary uses. In its first phase, the Cannery Park project includes 11 acres for use by light-manufacturing firms, artisans and cultural and community groups. Future redevelopment at Cannery Park will encompass a much larger area, create major regional attractions and complement redevelopment in the nearby Nihonmachi Japanese-American cultural and business center.

*"While San Jose has achieved a great deal through its redevelopment program, the city also is encouraged when developers like Metropolis West make significant neighborhood improvements without use of public funds,"* Mayor McEnery said.

### THE FINANCIAL CENTER GROWS A SKYLINE

The community leaders who drafted the plan guiding Downtown San Jose redevelopment through 1995 have seen their vision fulfilled with but one happy exception—the downtown renaissance is ahead of schedule.

Though it has been only eight years since the original committee undertook its work and six years since the City Council adopted the 1995 plan, fully 75 percent of the goals already have been achieved.

### BAY AREA'S ECONOMIC ENGINE

San Jose is the largest city of the Bay Area, and its industry is the engine driving the region's growing economy.

Still, the planners of Downtown San Jose have never tried or hoped to eclipse San Francisco as a cultural or financial center; rather, they seek to complement it. It is only natural, they point out, for Silicon Valley to develop its own financial and cultural center in addition to the resources available in San Francisco 50 miles away.

Now all the major accounting firms; most statewide, foreign and independent banks; and well-known law firms conduct business in downtown San Jose. They enjoy Class A buildings and urban amenities.

In eight years, Clements of Arthur Andersen said, the San Jose office has tripled its business even though it split off a Sacramento office and the consulting group became Andersen Consulting and moved to other quarters.

"Entrepreneurs are very aggressive and willing to test rules that are not clear," Clements said. "They figure if they are wrong, in three years they will be a billion dollar company and can pay it, or they will be gone and it won't matter."

Edward T. Kennedy, partner in charge of Andersen Consulting's West Coast operations, says half his 300 employees in Northern California work in Silicon Valley.

### BANK DEPOSITS TRIPLE IN NINE YEARS

The formation of aggressive local banks, which have achieved a 20 percent market share, has contributed to a highly competitive and responsive Silicon Valley banking community.

Jack Conner, president of Plaza Bank of Commerce, has seen his assets grow from \$20 million to \$451 million in 10 years, but modestly points out, *"Santa Clara County had \$4.56 billion in bank deposits in 1979, but \$12.5 billion by the end of 1988. If you only maintain market share, you should do well."*

Another local banking success story is Silicon Valley Bank, which splits its business evenly between real estate, commercial loans and technology. Silicon Valley Bank's assets have grown from \$5 million to \$275 million in five years, with corresponding increases in profit, even though it makes loans to startup electronics companies that many banks will not touch.

President Roger Smith attributes success in technology banking to intimate knowledge of how Silicon Valley companies work.

Among the major statewide banks, both Bank of America and Bank of the West were founded in San Jose.

Participating in the downtown renaissance, Bank of the West moved its San Jose Main Branch from where it had been for 115 years to Fairmont Plaza at Silicon Valley Financial Center.

*"Although we now operate throughout California, the heart and soul of the bank remain in the Santa Clara Valley,"* said Don J. McGrath, chief operating officer.

Some San Joseans are beginning to look beyond San Francisco towards Los Angeles as the real competition. San Francisco has become a branch office town of economically stronger Silicon Valley, says Angelo Siracusa of the Bay Area Council. Of the 17 Bay Area

headquarters companies that disappeared from the FORTUNE 500 list because of mergers and acquisitions between 1979 and 1986, most were from San Francisco, Siracusa said. During the same period, Silicon Valley added 22 companies to the top 500, including Apple, Sun Microsystems and Varian Associates.

### NEW CITY WITH AN EXCITING FUTURE

San Jose is expected to remain the third largest city on the Pacific Coast, behind only Los Angeles and San Diego. The population will be just under 900,000 by the year 2000.

A new downtown plan is expected to recommend that the city encourage the construction of more housing; attract major, upscale department stores; increase the number of first-class hotels; and seek more corporate headquarters. City Hall is expected to move back downtown, and a new downtown library probably will be built. With its river park, museums, fine arts, sports, and entertainment, San Jose will become a premiere convention city.

### ALTERNATIVE PATHS FOR SILICON VALLEY

More long term, the future of San Jose will be determined by what happens to Silicon Valley and whether it will continue as an area of economic growth, energetic new companies and products that change the world.

Maturing companies that base corporate offices and research in the valley but manufacture elsewhere could dominate a more traditional urban setting. On the other hand, these companies may continue to spin off new enterprises so fast that the valley remains a decentralized community of entrepreneurs too busy to pursue the arts or join country clubs. Growth of institutionalized research sponsored by industry consortiums and government grants, on the other hand, would encourage a campus-like culture.

The question of whether Silicon Valley will prevail as America's hope for continued technological leadership could become moot if the growth of a world economy diminishes the importance of national boundaries.

Probably all of these scenarios will occur—even simultaneously—and all of them will contribute to the capital of Silicon Valley fulfilling its destiny to rank among the leading cities of the world.

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